

**SENATE BILL**

**No. 33**

**Introduced by Senators Burton and Sher**

February 6, 2001

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An act to add Division 1.7 (commencing with Section 3400) to the Public Utilities Code, relating to electric power.

LEGISLATIVE COUNSEL'S DIGEST

SB 33, as introduced, Burton. California Transmission Authority.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations and other specified entities.

This bill would create the California Transmission Authority, with powers and responsibilities as prescribed, including the issuance of bonds, for the purposes of (1) owning and operating the assets of the state's electric transmission grid; (2) providing certain services relating to the grid; (3) monitoring the electric market to identify and mitigate market power abuse; and (4) undertaking and executing transmission planning and grid expansion; and (5) offering to purchase the transmission assets of any investor-owned utility. The bill would prohibit the authority, in its operation of the transmission system, from taking any action to discriminate against clean, efficient distributed generation, intermittent renewable resources, or demand response or energy efficiency initiatives.

The bill would require transmission projects that are greater than 200 kilovolts and cost more than \$10,000,000 to be subject to the approval of the State Energy Resources Conservation and Development Commission. The bill would require the commission to approve projects submitted for review as specified not later than 12 months after

receipt of a completed application for approval. The bill would create in the State Treasury the California Transmission Authority Fund, and all money in the fund, upon appropriation, would be available for the support of the authority.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Division 1.7 (commencing with Section 3400) is added to the Public Utilities Code, to read:

DIVISION 1.7. CALIFORNIA TRANSMISSION  
AUTHORITY ACT

CHAPTER 1. GENERAL PROVISIONS AND DEFINITIONS

3400. The Legislature finds and declares all of the following:

(a) Electricity is a commodity that uniquely impacts upon the public interest.

(b) Because of that impact, the operation and expansion of the transmission grid must be conducted in a manner that does all of the following:

(1) Protects electricity consumers.

(2) Encourages fair competition.

(3) Protects the public health and the environment.

(4) Encourages renewable resources, clean and efficient distributed generation, energy efficiency, and demand responsiveness.

(5) Balances supply and demand interests at the lowest cost to the public.

(c) As a means of protecting and enhancing the interests of the people of California, the state should become the owner and operator of the assets of the transmission grid.

3401. This division shall be known and may be cited as the California Transmission Authority Act.

3402. As used in this division, unless the context otherwise requires, the following terms have the following meanings:

(a) “Act” means the California Transmission Authority Act.

(b) “Authority” means the California Transmission Authority established pursuant to Section 3420 and any board, commission, department, or officer succeeding to the functions thereof, or to whom the powers conferred upon the authority by this division shall be given by law.

(c) “Board” means the Board of Directors of the California Transmission Authority.

(d) “Bond purchase agreement” means a contractual agreement executed between the authority and a participating party, or a special purpose trust authorized by the authority or a participating party, or both, whereby the authority or special purpose trust authorized by the authority agrees to purchase bonds of the participating party for retention or sale.

(e) “Bonds” means bonds, including structured, senior, and subordinated bonds or other securities; loans; notes, including bond revenue, tax or grant anticipation notes; commercial paper; floating rate and variable maturity securities; and any other evidences of indebtedness or ownership, including certificates of participation or beneficial interest, asset backed certificates, or lease-purchase or installment purchase agreements, whether taxable or excludable from gross income for state and federal income taxation purposes.

(f) “Commission” means the Public Utilities Commission.

(g) “Cost,” as applied to a program, project or portion thereof financed under this division, means all or any part of the cost of construction, renovation, and acquisition of all lands, structures, real or personal property, rights, rights-of-way, franchises, licenses, easements, and interests acquired or used for a project; the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which the buildings or structures may be moved; the cost of all machinery, equipment, and financing charges; interest prior to, during, and for a period after, completion of construction, renovation, or acquisition, as determined by the authority; provisions for working capital; reserves for principal and interest and for extension, enlargements, additions, replacements, renovations, and improvements; and the cost of architectural, engineering, financial and legal services, plans, specifications, estimates, administrative expenses, and other expenses necessary or incidental to determining the feasibility of any project or

1 incidental to the construction, acquisition, or financing of any  
2 project.

3 (h) “Electrical corporation” has the same meaning as that term  
4 is defined in Section 218.

5 (i) “Energy Commission” means the State Energy Resources  
6 Conservation and Development Commission.

7 (j) “Financial assistance” in connection with a project,  
8 includes, but is not limited to, any combination of grants, loans, the  
9 proceeds of bonds issued by the authority or a special purpose  
10 trust, insurance, guarantees or other credit enhancements or  
11 liquidity facilities, and contributions of money, property, labor, or  
12 other things of value, as may be approved by resolution of the  
13 board or the participating party, or both; the purchase or retention  
14 of authority bonds, the bonds of a participating party for their  
15 retention or for sale by the authority, or the issuance of authority  
16 bonds or the bonds of a special purpose trust used to fund the cost  
17 of a project for which a participating party is directly or indirectly  
18 liable, including, but not limited to, bonds, the security for which  
19 is provided in whole or in part pursuant to the powers granted by  
20 this division; bonds for which the authority has provided a  
21 guarantee or enhancement, including, but not limited to, the  
22 purchase of the subordinated bonds of the participating party, the  
23 subordinated bonds of a special purpose trust, or the retention of  
24 the subordinated bonds of the authority pursuant to this division;  
25 or any other type of assistance deemed appropriate by the authority  
26 or the participating party.

27 (k) “Fund” means the California Transmission Authority  
28 Fund established in the State Treasury under Section 3470.

29 (l) “Loan agreement” means a contractual agreement executed  
30 between the authority or a special purpose trust and a participating  
31 party that provides that the authority or special purpose trust will  
32 loan funds to the participating party and that the participating party  
33 will repay the principal and pay the interest and redemption  
34 premium, if any, on the loan.

35 (m) “Local publicly owned electric utility” has the same  
36 meaning as that term is defined in Section 9604.

37 (n) “Participating party” means either of the following:

38 (1) Any person, company, corporation, partnership, firm, or  
39 other entity or group of entities, whether organized for profit or not  
40 for profit, engaged in business or operations within the state and

1 that applies for financial assistance from the authority for the  
2 purpose of implementing a project.

3 (2) Any subdivision of the state or local government, including  
4 departments, agencies, commissions, cities, counties, nonprofit  
5 corporations, special districts, assessment districts, and joint  
6 powers authorities within the state or any combination of these  
7 subdivisions, that has, or proposes to acquire, an interest in a  
8 project and that makes application to the authority for financial  
9 assistance in a manner prescribed by the authority.

10 (o) “Project” means plants, facilities, equipment, appliances,  
11 structures, expansions, and improvements within the state that  
12 serve the purposes of this division as approved by the authority,  
13 and all activities and expenses necessary to initiate and complete  
14 those projects.

15 (p) “Revenues” means all receipts, purchase payments, loan  
16 repayments, lease payments, and all other income or receipts  
17 derived by the authority or a participating party from the sale,  
18 lease, or other financing arrangement undertaken by the authority,  
19 a participating party, including, but not limited to, all receipts from  
20 a bond purchase agreement, and any income or revenue derived  
21 from the investment of any money in any fund or account of the  
22 authority or a participating party.

23 (q) “Special purpose trust” means a trust, partnership, limited  
24 partnership, association, corporation, nonprofit corporation, or  
25 other entity authorized under the laws of the state to serve as an  
26 instrumentality of the state to accomplish public purposes and  
27 authorized by the authority to acquire, by purchase or otherwise,  
28 for retention or sale, the bonds of a participating party or of the  
29 authority made or entered into pursuant to this division and to issue  
30 special purpose trust bonds or other obligations secured by these  
31 bonds or other sources of public or private revenues.

32 (r) “State” means the State of California.

33 3404. Any action taken pursuant to this division is exempt  
34 from the Administrative Procedure Act, as defined in Section  
35 11370 of the Government Code.

CHAPTER 2. PURPOSE OF THE CALIFORNIA TRANSMISSION  
AUTHORITY

3410. The authority may only exercise its powers pursuant to Article 4 (commencing with Section 3440) of Chapter 3 to do all of the following:

(a) Own and operate the assets of the transmission grid. The authority shall be the successor agency to the Independent System Operator (ISO) and the Power Exchange (PX) for the purposes of this subdivision. Any reference in any provision of law to the ISO or PX, with regard to the purposes of this subdivision, means the authority.

(b) Provide all of the following:

(1) Security coordination.

(2) Real-time grid operation.

(3) Operation or facilitation of day-ahead and real-time markets for day-ahead and ancillary services.

(4) Interconnection and operation of generation resources.

(5) Billing and settlements for energy and ancillary service markets.

(c) Undertake market monitoring to identify and mitigate market power abuse. For the purposes of this subdivision, the authority shall coordinate with the Office of the State Attorney General, the federal Securities and Exchange Commission, the federal Energy Information Administration, and the Federal Energy Regulatory Commission.

(d) Undertake and execute transmission planning and grid expansion. Transmission projects that are greater than 200 kilovolts and cost more than ten million dollars (\$10,000,000) shall be subject to the approval of the Energy Commission. The Energy Commission shall approve projects submitted for review under this subdivision not later than 12 months after receipt of a completed application for approval.

(e) Issue revenue bonds.

(f) Establish tariffs and rates for the use of the transmission system. The revenue generated from these tariffs and rates shall be deposited in the fund and may be used to finance the costs of acquisition of transmission assets and to undertake needed upgrades and improvements of the transmission system.

(g) Offer to purchase the transmission assets of any investor-owned utility. Upon acquisition of those assets, the authority shall contract back with the utility for provision by the authority of operation and maintenance services.

3412. In its operation of the transmission system, the authority may not take any action to discriminate against clean, efficient distributed generation, intermittent renewable resources, or demand response or energy efficiency initiatives.

### CHAPTER 3. THE CALIFORNIA TRANSMISSION AUTHORITY

#### Article 1. Creation of the Authority

3420. (a) There is hereby created in the state government the California Transmission Authority, which shall be responsible for administering this division.

(b) The authority shall be under the direction of an executive director, who shall be appointed by a majority of the members of the board, and shall serve at the direction of the board.

(c) The authority shall implement the purposes of Chapter 2 (commencing with Section 3410), and to that end finance projects and programs in accordance with this division, all to the mutual benefit of the people of the state and to protect their health, welfare, and safety.

#### Article 2. Board of Directors

3425. (a) The authority shall be governed by a five-member board of directors, who shall be appointed by the Governor, subject to confirmation by the Senate.

(b) Three of the members shall constitute a quorum and the affirmative vote of three board members shall be necessary for any action to be taken by the board.

(c) Except as provided in this subdivision, the members of the board shall serve without compensation, but shall be reimbursed for actual and necessary expenses incurred in the performance of their duties to the extent that reimbursement for these expenses is not otherwise provided or payable by another public agency, and shall receive one hundred dollars (\$100) for each full day of attending meetings of the authority.

1 3426. (a) The members of the board shall be subject to the  
2 Political Reform Act of 1974 (Title 9 (commencing with Section  
3 81000)) of the Government Code, the applicable rules and  
4 standards of the Municipal Securities Rulemaking Board, and all  
5 other applicable provisions of law.

6 (b) The board may purchase insurance for its fiduciaries or for  
7 itself to cover liability or losses occurring by reason of the act or  
8 omission of a fiduciary, if the insurance permits recourse by the  
9 insurer against the fiduciary in the case of a breach of a fiduciary  
10 obligation by the fiduciary.

11 3427. Meetings of the board shall be open to the public and  
12 shall be conducted in accordance with the Bagley-Keene Open  
13 Meeting Act (Article 9 (commencing with Section 11120) of  
14 Chapter 1 of Part 1 of Division 3 of Title 2 of the Government  
15 Code).

### 16 Article 3. Executive Director

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19 3430. The executive director shall manage and conduct the  
20 business and affairs of the authority and the fund subject to the  
21 direction of the board. Except as otherwise provided in this  
22 section, the board may assign to the executive director, by  
23 resolution, those duties generally necessary or convenient to carry  
24 out its powers and purposes under this division. Any action  
25 involving final approval of any bonds, notes, loans, or other  
26 financial assistance shall require the approval of a majority of the  
27 members of the board.

### 28 Article 4. Powers of the Authority

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31 3440. The authority is authorized and empowered to do any  
32 of the following:

33 (a) Adopt an official seal.

34 (b) Sue and be sued in its own name.

35 (c) Adopt rules and regulations for the regulation of its affairs  
36 and the conduct of its business.

37 (d) Do all things generally necessary or convenient to carry out  
38 its powers and the purposes under this division.

39 3441. The board may do all of the following:

40 (a) Exercise the power of eminent domain.



1 (b) Issue bonds and authorize special purpose trusts to issue  
2 bonds to pay all or part of the cost of any project, or to otherwise  
3 carry out the purposes of this division.

4 (c) Enter into joint powers agreements with eligible public  
5 agencies pursuant to Chapter 5 (commencing with Section 6500)  
6 of Division 7 of Title 1 of the Government Code.

7 (d) Subject to any statutory or constitutional limitation on their  
8 use, do any of the following:

9 (1) Engage the services of private consultants to render  
10 professional and technical assistance and advice in carrying out the  
11 purposes of this division; employ attorneys and other advisers as  
12 may, in the determination of the board, be necessary in connection  
13 with the issuance and sale, or authorization of special purpose  
14 trusts for the issuance and sale, of any bonds.

15 (2) Contract for engineering, architectural, accounting, or  
16 other services of appropriate state agencies as may, in the  
17 determination of the board, be necessary for the successful  
18 development of a project.

19 (3) Pay the reasonable costs of consulting engineers, architects,  
20 accountants, and construction, land use and environmental experts  
21 employed by any participating party if, in the determination of the  
22 board, those services are necessary for the successful development  
23 of a project.

24 (e) Charge and equitably apportion among participating parties  
25 or other public or private entities the authority's administrative  
26 costs and expenses, including operating and financing-related  
27 costs incurred in the exercise of the powers and duties conferred  
28 by this division.

29 (f) Acquire, take title to, and sell by installment sale or  
30 otherwise, lands, structures, real or personal property, rights,  
31 rights-of-way, franchises, easements, and other interests in lands  
32 that are located within the state as the authority determines to be  
33 necessary or convenient for the financing of the project, upon  
34 terms and conditions that it considers to be reasonable.

35 (g) Make, receive, or serve as a conduit for the making of, or  
36 otherwise provide for, grants, contributions, guarantees,  
37 insurance, credit enhancements or liquidity of facilities, or other  
38 financial enhancements to a participating party as financial  
39 assistance for a project. The sources may include bond proceeds,  
40 dedicated taxes, state appropriations, federal appropriations,

1 federal grants and loan funds, public and private sector retirement  
2 system funds, and proceeds of loans from the Pooled Money  
3 Investment Account, or any other source of money, property,  
4 labor, or other things of value.

5 (h) Make loans to any participating party, either directly or by  
6 making a loan to a lending institution or other financial  
7 intermediary, in connection with the financing of a project in  
8 accordance with an agreement between the authority and a  
9 participating party, either as a sole lender or in participation with  
10 other lenders.

11 (i) Make loans to any participating party, either directly or by  
12 making a loan to a lending institution, in accordance with an  
13 agreement between the authority and the participating party to  
14 refinance indebtedness incurred by the participating party in  
15 connection with projects undertaken and completed prior to any  
16 agreement with the authority or expectation that the authority  
17 would provide financing, either as a sole lender or in participation  
18 with other lenders.

19 (j) Mortgage all or any portion of the authority's interest in a  
20 project and the property on which any project is located, whether  
21 owned or thereafter acquired, including the granting of a security  
22 interest in any property, tangible or intangible.

23 (k) Assign or pledge all or any portion of the authority's  
24 interests in assets, things of value, mortgages, deeds of trust,  
25 bonds, bond purchase agreements, loan agreements, indentures of  
26 mortgage or trust, or similar instruments, notes, and security  
27 interests in property, tangible or intangible and the revenues  
28 therefrom, of a participating party to which the authority has made  
29 loans, and the revenues therefrom, including payment or income  
30 from any interest owned or held by the authority, for the benefit of  
31 the holders of bonds.

32 (l) Issue, obtain, or aid in obtaining, from any department or  
33 agency of the United States, from other agencies of the state, or  
34 from any private company, any insurance or guarantee to, or for,  
35 the payment or repayment of interest or principal, or both, or any  
36 part thereof, on any loan, lease, or obligation or any instrument  
37 evidencing or securing the same, made or entered into pursuant to  
38 this division.

39 (m) Enter into any agreement or contract, execute any  
40 instrument, and perform any act or thing necessary or convenient



1 to, directly or indirectly, secure the authority's bonds, the bonds  
2 issued by a special purpose trust, or a participating party's  
3 obligations to the authority or to a special purpose trust, including,  
4 but not limited to, bonds of a participating party purchased by the  
5 authority or a special purpose trust for retention or sale, with funds  
6 or moneys that are legally available and that are due or payable to  
7 the participating party by reason of any grant, allocation,  
8 apportionment or appropriation of the state or agencies thereof, to  
9 the extent that the Controller shall be the custodian at any time of  
10 these funds or moneys, or with funds or moneys that are or will be  
11 legally available to the participating party, the authority, or the  
12 state or any agencies thereof by reason of any grant, allocation,  
13 apportionment, or appropriation of the federal government or  
14 agencies thereof; and in the event of written notice that the  
15 participating party has not paid or is in default on its obligations  
16 to the authority or a special purpose trust, direct the Controller to  
17 withhold payment of those funds or moneys from the participating  
18 party over which it is or will be custodian and to pay the same to  
19 the authority or special purpose trust or their assignee, or direct the  
20 state or any agencies thereof to which any grant, allocation,  
21 apportionment or appropriation of the federal government or  
22 agencies thereof is or will be legally available to pay the same upon  
23 receipt by the authority or special purpose trust or their assignee,  
24 until the default has been cured and the amounts then due and  
25 unpaid have been paid to the authority or special purpose trust or  
26 their assignee, or until arrangements satisfactory to the authority  
27 or special purpose trust have been made to cure the default.

28 (n) Purchase, with the proceeds of the authority's bonds, bonds  
29 issued by, or for the benefit of, any participating party in  
30 connection with a project, pursuant to a bond purchase agreement  
31 or otherwise. Bonds purchased pursuant to this division may be  
32 held by the authority, pledged or assigned by the authority, or sold  
33 to public or private purchasers at public or negotiated sale, in  
34 whole or in part, separately or together with other bonds issued by  
35 the authority, and notwithstanding any other provision of law, may  
36 be bought by the authority at private sale.

37 (o) Enter into purchase and sale agreements with all entities,  
38 public and private, including state and local government pension  
39 funds, with respect to the sale or purchase of bonds.

1 (p) Authorize a special purpose trust or trusts to purchase or  
2 retain proceeds of the bonds of a special purpose trust or bonds  
3 issued by, or for the benefit of, any participating party in  
4 connection with a project or issued by the authority or a special  
5 purpose trust, pursuant to a bond purchase agreement or otherwise.  
6 Bonds purchased pursuant to this division may be held by a special  
7 purpose entity, pledged or assigned by a special purpose entity, or  
8 sold to public or private purchasers at public or negotiated sale, in  
9 whole or in part, with or without structuring, subordination or  
10 credit enhancement, separately or together with other bonds issued  
11 by a special purpose trust, and notwithstanding any other provision  
12 of law, may be bought by the authority or by a special purpose trust  
13 at private sale.

14 3442. The fiscal powers granted to the authority by this  
15 division may be exercised without regard or reference to any other  
16 department, division, or agency of the state, except the Legislature  
17 or as otherwise stated in this division. This division shall be  
18 deemed to provide an alternative method of doing the things  
19 authorized by this division, and shall be regarded as supplemental  
20 and additional to powers conferred by other laws.

21 3443. No member of the board or any person executing bonds  
22 of the authority or a special purpose trust pursuant to this division  
23 shall be personally liable on the bonds or subject to any personal  
24 liability or accountability by reason of the issuance thereof.

25 3444. All expenses incurred in carrying out this division shall  
26 be payable solely from funds provided under the authority of this  
27 division and no liability or obligation shall be imposed upon the  
28 State of California and, none shall be incurred by the authority  
29 beyond the extent to which moneys shall have been provided under  
30 this division. Under no circumstances shall the authority create  
31 any debt, liability, or obligation on the part of the State of  
32 California payable from any source whatsoever other than the  
33 moneys provided under this division.

34 3445. Bonds issued under this division shall not be deemed to  
35 constitute a debt or liability of the state or of any political  
36 subdivision thereof, other than the authority, or a pledge of the  
37 faith and credit of the state or of any political subdivision, other  
38 than the authority, but shall be payable solely from the funds herein  
39 provided therefor. All bonds issued under this division shall  
40 contain on the face thereof a statement to the following effect:



“Neither the faith and credit nor the taxing power of the State of California or any local agency is pledged to the payment of the principal of or interest on this bond.”

The issuance of bonds under this division shall not directly or indirectly or contingently obligate the state or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. Nothing in this section shall prevent nor be construed to prevent the authority from pledging its full faith and credit to the payment of bonds or issue of bonds authorized pursuant to this division.

#### CHAPTER 4. CALIFORNIA TRANSMISSION AUTHORITY FUND

3470. (a) There is hereby established in the State Treasury the California Transmission Authority Fund for expenditure by the authority for the purpose of implementing the objectives and provisions of this division. The authority may establish within the fund additional accounts and subaccounts.

(b) The assets of the fund shall be available for the payment of the salaries and other expenses charged against it in accordance with this division.

(c) All moneys in the fund, upon appropriation, shall be available for expenditure for the purposes stated in this division.

(d) The fund, on behalf of the authority, may borrow or receive moneys from the authority, or from any federal, state, or local agency or private entity, to create reserves in the fund as provided in this division and as authorized by the board.

#### CHAPTER 5. BONDS AND NOTES

3480. The Treasurer may incur indebtedness and issue securities of any kind, and renew them, if all indebtedness incurred by the Treasurer is payable solely from the revenues derived pursuant to this division.

3481. (a) At times that the authority desires to issue bonds, it shall adopt a resolution specifying the total amount of bonds proposed to be issued. The maximum aggregate principal amount of bonds that may be issued under the this division is \_\_\_\_.

(b) The proceeds of any bonds issued under this chapter may be used for the purpose of financing projects authorized under this division.

3482. (a) The Treasurer may, from time to time, issue negotiable bonds, notes, debentures, or other securities, collectively called “bonds,” for the purpose of this division.

3483. (a) In anticipation of the sale of the bonds as authorized by Section 3480, or as may be authorized pursuant to Section 3481, the Treasurer may issue and may renew, from time to time, negotiable bond anticipation notes or commercial paper. The bond anticipation notes and commercial paper may be paid from the proceeds of the sale of the bonds of the Treasurer in anticipation of which they were issued.

(b) Notes and relating agreements and bond anticipation notes and commercial paper, collectively called “notes,” and the resolution authorizing the notes or commercial paper, may contain any provisions, conditions, or limitations that a bond, a relating agreement, and a bond resolution of the department may contain, except that the notes and commercial paper, and renewals, shall mature at a time not exceeding 20 years from the date of issue of the original notes or commercial paper.

3484. (a) Except as may be otherwise expressly provided by the Treasurer, every issue of bonds, notes, or other obligations shall be payable from the revenues derived pursuant to this division, and not otherwise pledged, subject only to any agreement with the holders of particular bonds, notes, or other obligations pledging any particular revenues or money and subject to any agreement with any participating party.

(b) Notwithstanding that the bonds, notes, or other obligations may be payable from a special fund, they shall be, and be deemed to be, for all purposes negotiable instruments, subject only to the provisions of the bonds, notes, or other obligations for registration.

3485. (a) The bonds may be issued as serial bonds or as term bonds, or the Treasurer, in his or her discretion, may issue bonds of both types.

(b) The bonds shall be authorized by the Treasurer and shall bear the date or dates, mature at the time or times, not exceeding 20 years from their respective dates, bear interest at the rate or rates, be payable at the time or times, be in the denominations, be in the form, either coupon or registered, carry the registration

privileges, be executed in the manner, be payable in lawful money of the United States of America at the place or places, and be subject to the terms of redemption, as the resolution or resolutions may provide.

(c) The bonds or notes shall be sold by the Treasurer within 60 days of receipt of a certified copy of the department's resolution authorizing the sale of the bonds, except that the department, at its discretion, may adopt a resolution extending the 60-day period. The sales may be at public or private sale, and for the price or prices and on the terms and conditions, as the Treasurer shall determine.

(d) Pending preparation of the definitive bonds, the Treasurer may issue interim receipts, certificates, or temporary bonds that shall be exchanged for the definitive bonds. The Treasurer may sell any bonds, notes, or other evidence of indebtedness at a price or prices below par value without any limitation on price or prices.

3486. All expenses incurred in carrying out this chapter shall be payable solely from funds provided under the authority of this division and no liability or obligation shall be imposed upon the State of California and, except as provided in Section 3499, none shall be incurred by the state beyond the extent to which moneys shall have been provided under this division. Under no circumstances may the Treasurer create any debt, liability, or obligation on the part of the State of California payable from any source whatsoever other than the moneys provided under this division.

3487. Any resolution or resolutions authorizing any bonds, or any issue of bonds, may contain provisions that shall be a part of the contract with the holders of the bonds to be authorized, as to the following:

(a) Pledging all or any part of the revenues of any asset or any revenue-producing contract or contracts made by the authority with any individual, partnership, authority, or association or other body, public or private, to secure the payment of the bonds or of any particular issue of bonds, subject to any agreement with bondholders that may then exist.

(b) The rentals, fees, purchase payments, and other charges to be charged, and the amounts to be raised in each year thereby, and the use and disposition of the revenues.

(c) The setting aside of reserves or sinking funds, and the regulation and disposition thereof.



1 (d) Limitations on the issuance of additional bonds, the terms  
2 upon which additional bonds may be issued and secured and the  
3 refunding of outstanding bonds.

4 (e) The procedure, if any, by which the terms of any contract  
5 with bondholders may be amended or abrogated, the amount of  
6 bonds that the holders who are required to consent thereto, and the  
7 manner in which the consent may be given.

8 (f) Limitations on administrative or other expenses of the  
9 Treasurer.

10 (g) Defining the acts or omissions to act which constitute a  
11 default in the duties of the department to holders of obligations,  
12 and providing the rights and remedies of the holders in the event  
13 of a default.

14 (h) The mortgaging of any asset, or any portion of an asset, for  
15 the purpose of securing the bondholders.

16 (i) Terms and conditions under which a buyer of all or a portion  
17 of an asset may assume the responsibilities for repayment of the  
18 remaining balance of the bonds issued by the Treasurer.

19 (j) Prior to issuance of the bonds, ratepayer liability for  
20 repayment of the bonds shall be determined in a process  
21 established by the Treasurer.

22 3488. The Treasurer may, from any available funds, purchase  
23 the bonds or notes. The Treasurer may hold, pledge, cancel, or  
24 resell the bonds, subject to and in accordance with agreements with  
25 the bondholders.

26 3489. (a) All bonds, notes, and commercial paper issued by  
27 the Treasurer under this chapter shall be issued only after a public  
28 hearing on issuance has been held at the office of the Treasurer in  
29 Sacramento, California, not less than 14 days following the date  
30 of publication of a notice of the hearing in a financial publication  
31 generally circulated throughout the state and in a newspaper of  
32 general circulation published within each county in which is  
33 located any portion of the asset to be financed with the bonds,  
34 notes, or commercial paper.

35 (b) The notice shall include the date, time and place of the  
36 hearing, the principal amount of bonds, notes, or commercial  
37 paper that may be issued.

38 (c) Any or all of the requirements of this section may be waived  
39 by the Treasurer if the requirement to be waived is not necessary





1 to qualify interest on the bonds, notes, or commercial paper for  
2 exemption from federal income taxes.

3 3490. At the discretion of the Treasurer, any bonds issued  
4 under this chapter may be secured by a trust agreement by and  
5 between the Treasurer and a trustee or trustees, which may be any  
6 trust company or bank having the powers of a trust company  
7 within or without the state.

8 3491. (a) The trust agreement or the resolution providing for  
9 the issuance of the bonds may pledge or assign the revenues to be  
10 received or proceeds of any contract or contracts pledged and may  
11 convey or mortgage the asset or assets, or any portion thereof, to  
12 be financed out of the proceeds of the bonds. The trust agreement  
13 or resolution providing for the issuance of the bonds may contain  
14 provisions for protecting and enforcing the rights and remedies of  
15 the bondholders as may be reasonable and proper and not in  
16 violation of law, including particularly provisions specifically  
17 authorized to be included in any resolution of the department  
18 authorizing bonds.

19 (b) Any bank or trust company doing business under the laws  
20 of this state that may act as depository of the proceeds of bonds or  
21 of revenues or other moneys may furnish indemnifying bonds or  
22 pledge securities as may be required by the Treasurer.

23 (c) Any trust agreement may set forth the rights and remedies  
24 of the bondholders and of the trustee or trustees, and may restrict  
25 the individual right of action by bondholders. In addition, any trust  
26 agreement or resolution may contain other provisions that the  
27 Treasurer may deem reasonable and proper for the security of the  
28 bondholders.

29 3492. Notwithstanding any other provision of law, the  
30 Treasurer may not be deemed to have a conflict of interest by  
31 reason of acting as trustee pursuant to this chapter.

32 3493. (a) Bonds issued under this chapter may not be deemed  
33 to constitute a debt or liability of the state or of any political  
34 subdivision of the state, or a pledge of the faith and credit of the  
35 state or of any political subdivision, but shall be payable solely  
36 from the funds provided by this chapter.

37 (b) All the bonds shall contain on the face a statement to the  
38 following effect: "Neither the faith and credit nor the taxing power  
39 of the State of California or of any local agency is pledged to the  
40 payment of the principal of or interest on this bond."

(c) The issuance of bonds under this chapter may not directly or indirectly or contingently obligate the state or any political subdivision to levy, or to pledge any form of, taxation or to make any appropriation for their payment.

3495. The Treasurer may provide for the issuance of bonds for the purpose of refunding any bonds, notes, or other securities then outstanding pursuant to this chapter, including the payment of any redemption premium and any interest accrued or to accrue to the earliest or subsequent date of redemption, purchase, or maturity of the bonds and, if deemed advisable by the Treasurer, for the additional purpose of paying all or any part of the cost of constructing and acquiring additions, improvements, extensions, or enlargements of an asset.

3496. (a) The proceeds of any bonds issued for the purpose of refunding outstanding bonds, notes, or other securities may, in the discretion of the Treasurer, be applied to the purchase or retirement at maturity or redemption of outstanding bonds either on their earliest or any subsequent redemption date or upon the purchase or retirement at the maturity thereof and may, pending that application, be placed in escrow to be applied to the purchase or retirement at maturity or redemption on the date as may be determined by the Treasurer.

(b) Pending that use, the escrowed proceeds may be invested and reinvested by the Treasurer in obligations of, or guaranteed by, the United States of America, or in certificates of deposit or time deposits secured by obligations of, or guaranteed by, the United States of America, maturing at time or times appropriate to assure the prompt payment, as to principal, interest, and redemption premium, if any, of the outstanding bonds to be refunded. The interest, income, and profits, if any, earned or realized on the investment may also be applied to the payment of the outstanding bonds to be so refunded.

After the terms of the escrow have been fully satisfied and carried out, any balance of the proceeds and interest, income, and profits, if any, earned or realized on the investments may be returned to the authority for use by it in any lawful manner.

3497. The proceeds of any bonds issued for the additional purpose of paying all or any part of the cost of constructing and acquiring additions, improvements, extensions, or enlargements of an asset may be invested and reinvested by the Treasurer in

1 obligations of, or guaranteed by, the United States of America, or  
2 in certificates of deposit or time deposits secured by obligations of,  
3 or guaranteed by, the United States of America, maturing not later  
4 than the time or times when the proceeds will be needed for the  
5 purpose of paying all or any part of the cost. The interest, income,  
6 and profits, if any, earned or realized on the investment may be  
7 applied to the payment of all or any part of the cost or may be used  
8 by the authority in any lawful manner.

9 3498. Bonds issued pursuant to Section 3495 are subject to  
10 this chapter in the same manner and to the same extent as other  
11 bonds issued pursuant to this chapter.

12 3499. No liability may be incurred by the Treasurer in excess  
13 of the amount of money which has been provided under this  
14 division, except that, for the purposes of meeting the necessary  
15 expenses of initial organization and operation until such date that  
16 the authority derives revenues or proceeds from bonds or notes as  
17 provided under this division, the authority may borrow money as  
18 needed for those expenses from private sources. The borrowed  
19 money shall be repaid with interest within a reasonable time after  
20 the authority receives revenues or proceeds from bonds or notes as  
21 provided under this division.

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